

## **EXHIBIT C**

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## **\$7.4 Billion Pledged for Palestinians**

By **ELAINE SCIOLINO**

PARIS — Eighty-seven countries and international organizations pledged \$7.4 billion in aid to the Palestinians on Monday, in the most ambitious fund-raising effort in more than a decade to help Palestinians create a viable, peaceful and secure state of their own.

The total is set to cover the next three years. The Palestinians had hoped to secure \$5.6 billion in budgetary and development support over the next three years, but the amount pledged exceeded that figure.

Secretary of State Condoleezza Rice represented the United States at the one-day conference here.

The Palestinian president, Mahmoud Abbas, said at the conference that a "moment of truth" had arrived, urging the world to increase its aid for Palestinians — or risk disaster.

"Without this support, without the payment of aid that will allow the Palestinian treasury to fulfill its role, we will be facing a total catastrophe in the West Bank and Gaza," Mr. Abbas said.

In appealing for the financing, Prime Minister Salam Fayyad, an economist appointed to lead the Palestinians' caretaker government, formally presented his new recovery plan for economic, institutional and security reform for a future Palestinian state.

The total for 2008 alone, according to the conference's final declaration, was \$3.4 billion.

The United States pledged \$555 million for 2008, up from \$75 million this year. "The Palestinian Authority is experiencing a serious budgetary crisis," Ms. Rice said. "This conference is literally the government's last hope to avoid bankruptcy."

However, the American pledge was misleading, because much of it had been announced previously by the White House but has not been approved by Congress.

The European Union, the largest aid donor to the Palestinians, pledged \$650 million for 2008. Separately, European nations made three-year pledges, including France and Sweden at \$300 million each, Britain \$500 million, Norway \$420 million, Spain \$360 million and Germany \$200 million.

In a move significant both practically and symbolically, the Saudis pledged \$500 million over three years.

Many countries do not fulfill pledges that they make at such conferences. Egypt and other Arab countries are known for pledging funds to the Palestinian Authority that they do not deliver.

The donors' meeting is a high-profile effort to build on the momentum of peace talks with Israel last month

in Annapolis, Md., where the Bush administration played host. Those talks were the first serious negotiations between Israel and the Palestinians in years, and the two sides pledged to seek a final peace agreement by the end of 2008.

The event on Monday was the largest Palestinian donor meeting since 1996, and the latest in a string of aid-raising events for the Palestinians over the years. The Palestinians are one of the highest aid-dependent populations in the world, according to a new World Bank report.

Despite the aid pledges, the Palestinian economy will continue to contract unless Israel eases its blockage of the Gaza Strip and removes crucial internal checkpoints to allow Palestinians to move freely in the West Bank, the World Bank cautioned in the report.

The World Bank estimated that without such measures, the Palestinian gross domestic product would probably contract by 2 percent annually over the next five years. If Israel does ease the restrictions, and if the Palestinians put promised reforms in place, the economy could grow by 5 percent a year, the report added.

Mr. Abbas, in his remarks, appealed to Israel to take a number of concrete measures, including a freeze on all settlements in the Palestinian territories, the dismantling of what he identified as "wildcat settlements," a halt to construction of Israel's barrier of separation and the release of more Palestinian prisoners.

The fund-raiser on Monday was also a chance for President Nicolas Sarkozy of France to play diplomatic maestro, backslapping delegates and greeting Ms. Rice with kisses on both cheeks as he opened the conference.

"Our aim is not to perpetuate assistance to the Palestinians indefinitely," said Mr. Sarkozy, who calls himself a close friend of Israel. To that end, he called for Israel to allow freedom of movement of people and goods and to immediately freeze all settlement construction on the West Bank.

"I must insist on this point: it is in Israel's best interest, provided its own security is not threatened, to foster a normal existence in the West Bank," he said. "This alone will enable the Palestinians to work, to stop ruminating on their humiliation, to curb the violence and trafficking and to regain their zest for life."

As for the Palestinians, Mr. Sarkozy told them to live up to their promises to maintain "law and order over its territory" and to overhaul their security services.

*Stephen Castle reported from Brussels and Graham Bowley reported from New York. Isabel Kershner contributed reporting from Jerusalem.*

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